

The directors present their annual report and the audited financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, manufacturing and marketing of electrical appliances, property investment and development. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 51 to note 53 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 21.

An interim dividend of HK\$0.04 per share amounting to HK\$20,019,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of HK\$0.08 per share to the shareholders on the register of members on 29th May, 2006, thus giving rise to a final dividend distribution amounting to HK\$42,039,000 and the retention of the remaining profit for the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 38 to the financial statements.

RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in note 39 to the financial statements.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2006, calculated under section 79B of the Companies Ordinance amounted to HK\$42,039,000 (2005: HK\$40,039,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$2,848,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 89.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Billy K YUNG (*Group Chairman and Chief Executive*)
 Madam YUNG HO Wun Ching
 Mr. LEUNG Chun Wah
 Mr. Plato POON Chak Sang
 Mr. Eddie HURIP (*Appointed on 1st November, 2006*)

Non-executive director

Mr. Simon YUNG Kwok Choi

Independent non-executive directors

Dr. The Hon Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, OBE, Chev Leg d'Hon, Comm Leopold II, LLD, JP*
 Mr. Shiu-Kit NGAI, *SBS, OBE, JP*
 Mr. Peter WONG Chung On
 Mr. Peter LAM

In accordance with Article 103 of the Company's Articles of Association, Mr. Billy K Yung, Mr. Simon Yung Kwok Choi, Mr. Peter Wong Chung On and Mr. Peter Lam shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Eddie Hurip shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such directors to be independent.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS**(a) In contracts of significance**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Shares

As at 31st December, 2006, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Directors	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr Billy K Yung	Beneficial Owner	Personal	26,098,000	227,427,084	43.28%
	Interest of child under 18 or spouse (Note 1)	Other	191,329,084		
	Interest held jointly with another person (Note 2)	Other	10,000,000		
Dr Leo Tung-Hai Lee	Beneficial Owner	Personal	5,306,382	5,306,382	1.01%
Mr Peter Lam	Beneficiary of a trust (Note 3)	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial Owner	Personal	53,196,300	63,196,300	12.03%
	Interest of Spouse (Note 4)	Family	10,000,000		
Mr Leung Chun Wah	Beneficial Owner	Personal	1,799,400	1,799,400	0.34%
Mr Plato Poon Chak Sang	Beneficial Owner	Personal	739,200	739,200	0.14%
Mr Simon Yung Kwok Choi	Beneficial Owner	Personal	39,147,911	43,677,351	8.31%
	Interest of controlled corporation (Note 5)	Corporate	3,529,440		
	Interest of spouse (Note 6)	Family	1,000,000		

Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These shares are held jointly with his wife, Madam Hsu Vivian.
- (3) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of Shares held by the late Dr. Yung Yau.
- (5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(c) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries namely Apeon Corporation and Galactic Computing Corporation are set out in note 38 to the financial statements.

(d) Disclosure of other interest

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (ii) During the year ended 31st December, 2006, the Group's wholly owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission of approximately HK\$2,700 for the year ended 31st December, 2006 (2005: HK\$27,000).

Other than as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st December, 2006.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of Substantial Shareholder	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of ordinary shares held to the issued share capital of the Company
UBS Trustee (BVI) Limited	Trustee of a Trust (Note 1)	Other	199,437,334	199,437,334	37.95%
Diamond Key Enterprises Inc.	Beneficial Owner (Note 1)	Beneficial	118,612,287	118,612,287	22.57%
On Fat Profits Corporation	Beneficial Owner (Note 1)	Beneficial	72,716,797	72,716,797	13.84%
Madam Chiu Man	Beneficial Owner Interest of spouse (Note 2)	Personal Family	1,000,000 42,677,351	43,677,351	8.31%
Madam Hsu Vivian	Interest of spouse Interest held jointly with another person (Note 3)	Family Other	26,098,000 10,000,000	36,098,000	6.87%
Madam Margaret Yung Siu Chee (Note 4)	Beneficial Owner	Personal	28,154,604	28,154,604	5.36%

Notes:

- (1) 118,612,287 shares and 72,716,797 shares form part of the 199,437,334 shares held by UBS Trustee (BVI) Limited. Of which, the aggregate of 118,612,287 shares and 72,716,797 shares (i.e. 191,329,084 shares) are disclosed in the section headed "DIRECTORS' INTERESTS" above as being held under a trust with Mr. Billy K Yung's family as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.
- (2) Madam Chiu Man's shares held under personal and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTERESTS" above.
- (3) Madam Hsu Vivian's shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTERESTS" above.
- (4) Madam Yung Siu Chee Margaret is daughter of Madam Yung Ho Wun Ching. She is also a sister of Mr. Billy K Yung and Mr. Simon Yung Kwok Choi.

Other than as disclosed above, there was no person, other than the director of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 38 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

On 22nd December, 2006, a wholly owned subsidiary of the Company acquired from Richwood Trading Limited its 20% interest in Jodrell Investments Limited ("Jodrell"), a non-wholly owned subsidiary of the Company, and its shareholder loan to Jodrell at an aggregate consideration of HK\$134,126,000. Details of this transaction are set out in the circular to the shareholders of the Company dated 20th December, 2006.

On 3rd November, 2006, the Group advanced approximately HK\$44,203,000 to 深圳市光大策略投資有限公司 which is wholly owned by a director of one of the Company's subsidiaries to facilitate future acquisition of the remaining equity interest of a jointly controlled entity by the Group. The advance is unsecured, interest-free and repayable on demand.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2006, the five largest suppliers of the Group accounted for approximately 48% of the total purchases of the Group, of which 16% was attributable to the largest supplier and the five largest customers accounted for approximately 68% of the total sales of the Group's turnover, of which 32% was attributable to the largest customer.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

In accordance with the requirements under Rule 13.16 of the Listing Rules, the directors of the Company reported that as at 31st December, 2006, the Group had provided the following financial assistance and guarantees to certain affiliated companies, which, in aggregate, exceeded 8% of the total assets of the Group as at 31st December, 2006:

Name of affiliated companies	Attributable interest held by the Group as at 31/12/2006	Amount as at 31/12/2006 HK\$'000	NOTES	Nature
Hong Kong Construction SMC Development Limited	20%	45,829	1	Financial assistance
China Dynasty Development Limited	40%	119,145	1	Financial assistance
MDCL-Frontline (China) Limited	26.66%	49,380	2	Guarantee
Yue Tian Development Limited	20%	119,800	1	Financial assistance
Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited	20%	80,000	2	Guarantee
廣州市環博展覽有限公司	35%	75,643	1	Financial assistance
廣西光大旅遊投資有限公司	52.9%	4,180	1	Financial assistance
廣西桂林光大立元生態家園開發建設有限公司	37.03%	6	1	Financial assistance
北京中順超科房地產開發有限公司	24.99%	160,521	1	Financial assistance
上海金鶴數碼科技發展有限公司	45.5%	44,789	2	Guarantee
		699,293		

Notes:

- Such financial assistance was unsecured, interest-free and have no fixed terms of repayment.
- As at 31st December, 2006, the guarantee utilized by MDCL-Frontline (China) Limited, Guangzhou Cheng Jian Tian Yu Real Estate Development Limited and 上海金鶴數碼科技發展有限公司 were HK\$46,239,000, HK\$80,000,000 and HK\$44,789,000 respectively.

Pursuant to Rule 13.22 of the Listing Rules, the combined balance sheet, which has been realigned with the Group's accounting policies, of the affiliated companies to which financial assistance and guarantees for their benefit have been given by the Group as at 31st December, 2006 (the latest practicable date) is presented below:

	Combined Total <i>HK\$'000</i>	Interest attributable to the Group <i>HK\$'000</i>
Non-current assets	3,474	1,347
Current assets	2,275,281	1,101,101
Current liabilities	(1,171,522)	(590,873)
Non-current liabilities	(393,991)	(186,800)
Minority Interest	(1,769)	(885)
	<u>711,473</u>	<u>323,890</u>

Note: Combined balance sheet has been realigned with the Group's accounting policies.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates have any interest in a business or are interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2006.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

BILLY K YUNG

Chairman

Hong Kong, 26th April, 2007